

BRITISH COLUMBIA



**College
Pension Plan**

Annual Report

2001

DOC
BC
B7C6
B
2001
c.3



3 3298 00266 5090

103-01389

**College
Pension
Plan**

2001
**Annual
Report**

September 1, 2000 to August 31, 2001

National Library of Canada Cataloguing in Publication Data
College Pension Plan (B.C.)
Annual report. — 2000 —

Annual.

Running title: College Pension Plan annual report.

Continues: College Pension Plan annual report. ISSN 1198-2330.

ISSN 1499-1764 = Annual report — College Pension Plan (Victoria)

1. College Pension Plan (B.C.) — Periodicals. 2. College teachers — Pensions — British Columbia — Statistics — Periodicals. I. British Columbia Pension Corporation. II. Title. III. Title: College Pension Plan annual report.

LB2335.C3C64 331.25'29137812'0971105 C2001-960207-3

TABLE OF CONTENTS

Message from the Board	5
Financial and Operational Highlights	7
Roles and Responsibilities	10
The Plan and Benefits	11
Investments	12
Message from the Chief Investment Officer	12
Approved Investment Asset Mix	14
Investment Portfolio	14
Investment Performance	i7
Actuarial Valuation/Plan Funding	19
Employers and Plan Membership	20
Member Services	21
Members and Contributions	21
Termination Benefits	23
Pensions	24
Other	26
Portability Provisions	26
Purchase of Additional Service	27
Communications	27
Financial Statements	28

MESSAGE FROM THE BOARD

The College Pension Board of Trustees is pleased to present this annual report for the fiscal year ending August 31, 2001. We welcome all new members to the College Pension Plan.

Membership

There are currently approximately 8,600 active plan members and approximately 1,900 retired plan members. The number of retired members increased by about 130 during the year and is projected to continue to grow by at least 10 per cent per year in the next three years.

Joint Trusteeship

The plan's trustees are appointed by the plan's partners. The plan's partners are the Province of British Columbia, the Post Secondary Employers' Association, the College Institute Educators' Association and the B.C. Government and Service Employees' Union.

The College Pension Board of Trustees is responsible for the management of the pension fund, including the investment of assets and the administration of the plan. Under joint trusteeship, implemented in April of 2000, plan members and employers share equally in the administration and management of the plan. We are pleased to report a busy and productive first year as joint trustees of the College Pension Plan.

Financial Health of the Plan

The College Pension Plan is financially healthy. The actuarial valuation of the basic account for August 31, 2000, which the board received in June of 2001, showed a net actuarial funding surplus of \$120 million compared to \$57 million at August 31, 1997.

Your Plan

The College Pension Plan (plan) is a defined benefit pension plan, meaning your pension is based on how many pensionable years you were a plan member and on the average of your highest five years of your salary. Your pension is not based on how much you contributed to the plan, nor is it based on the investment performance of the plan's assets. The advantage of a defined benefit plan is that your pension is predictable and is not based entirely on economic conditions during your working lifetime nor at the time of your retirement.

Your basic pension benefits are guaranteed. Other benefits, such as inflation protection to the basic pension and extended health, dental and Medical Services Plan coverage, are not guaranteed. The board monitors the ability of the plan to continue to provide these benefits on an ongoing basis.

MESSAGE FROM THE BOARD

Benefits Improvements and Administration

We are pleased to report that service to plan members in the past year has improved, but there is still room for improvement in this area. The board implemented changes to the purchase of service provisions, including the elimination of one seldom-used purchase category that was contributing to an administrative backlog. Other changes to the purchase of service provisions include making the cost for purchasing service under the Purchase of Service Incentive Offer provision the same as under the non-contributory provision.

The College Pension Board of Trustees approved changes to the benefit formula that will increase the lifetime portion of the pension received after age 65 for members who terminate employment on or after January, 2002. Group benefits for retired members were enhanced effective January 1, 2002, to include extended dental and health coverage for out-of-province plan members, and greater lifetime maximums for extended health coverage. And a one-time lump sum payment, based on the lifetime portion of the pension, was approved for retired members.

The Story Behind Your Logo

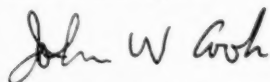
A pension plan is concerned mainly with people and investments. We wanted a new symbol that stressed these aspects while indicating security and partnership. We chose two stylized hands coming together to represent the people, partnership and security, while the dollar sign they form represents the investments. We chose vibrant purple as a bold new colour, distinctive and assertive.

You are the people we are concerned about. Your future financial security during retirement and the security of your plan's investments are important to us. We are a board of trustees appointed by the plan partners and we hope you will enjoy the new look as much as we do.

The Year Ahead

Next year we expect to report that client service levels and purchasing backlogs have improved. We are working on a number of new communications tools, including a client survey, and will be working to ensure that our redesigned web site provides the most current and up-to-date information about your pension plan.

It has been our experience over the past year that joint trusteeship gives you a strong and powerful voice in the running of your pension plan. We look forward to serving the College Pension Plan and its members. If you would like to contact us, please use the address on the back of this report.



John W. Cook, Chair

TRUSTEES AS AT AUGUST 31, 2001

John W. Cook, Chair

Dan Bradford, Marilyn Duggan, Andi Jani, Bruce Kennedy, Tom Kozar,
Paul Martin (alternate), Cliff Neufeld, Bonnie Pearson, John Wilson.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The College Pension Fund holds a diversified portfolio of debt and equity investments that facilitates prudent management of risk. The portfolio decreased from \$1.34 billion in 2000 to \$1.24 billion at August 31, 2001, primarily as a result of negative annual investment returns. While short-term returns may continue to be more subdued, pension plans have long investment time horizons and should focus on the longer term. The five-year annualized rate of return was 9.9 per cent.

Investments as at August 31, 2001

	Performance Benchmarks		
	2001	2001	2000
Market Value (\$ Millions)		\$1,244.6	\$1,339.8
Market Value Rates of Return			
Basic Account			
Annual	(11.2)%	(8.4)%	21.4%
Five-year Average	9.5%	9.9%	14.8%
Inflation Account			
Annual	(11.3)%	(9.3)%	21.9%
Five-year Average		9.9%	14.9%

Latest Actuarial Valuation—August 31, 2000

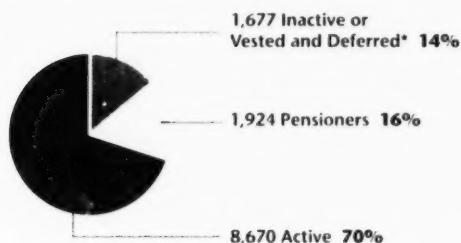
\$ Millions

	Basic Pension Benefits Net Surplus (Unfunded)	
	2000	1997
For Funding Purposes	\$120	\$7
Ratio of Surplus to Covered Payroll*	32%	19%
For Accounting Purposes (Benefits Accrued to Valuation Date)	\$262	\$129

* ASSUMING CONTRIBUTIONS CONTINUE AT EXISTING RATES

FINANCIAL AND OPERATIONAL HIGHLIGHTS

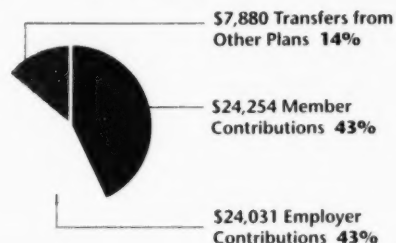
2001 Membership Profile



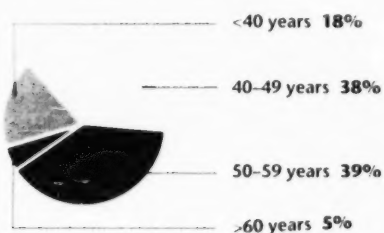
* MEMBERS NO LONGER EMPLOYED, BUT WITH MONEY IN THE PLAN

2001 Contribution Revenue

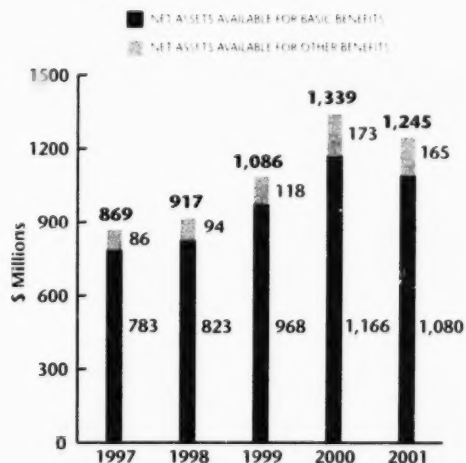
\$ Millions



2001 Age Profile of Active Contributors



Net Assets Available For Benefits as at August 31, 1997-2001



FINANCIAL AND OPERATIONAL HIGHLIGHTS

Five-year Summary Statement of Changes in Net Assets Available for Benefits (Unaudited)

	\$ Thousands				
For the year ended August 31	2001	2000	1999	1998	1997
Increase (Decrease) in Assets					
Net Investment Income (Loss)					
Total Investment Income (Loss)	\$ (113,616)	\$235,458	\$149,442	\$26,057	\$149,422
Investment Management Costs	(2,259)	(1,737)	(1,628)	(1,692)	(1,192)
	(115,875)	233,721	147,814	24,365	148,230
Contributions					
Members	24,254	21,677	22,254	21,240	18,599
Employers	24,031	17,396	21,571	21,812	19,213
Transfers from Other Plans	7,880	7,037	618	161	808
Total Increase (Decrease) in Assets	(59,710)	279,831	192,257	67,578	186,810
Decrease in Assets					
Pension Benefits	25,908	21,307	17,331	14,949	12,794
Termination Benefits	3,809	2,145	3,209	2,800	2,303
Transfers to Other Plans	1,861	375	326	212	63
Supplemental Benefits	1,932	1,605	1,257	1,099	893
Administration Costs	1,206	844	1,090	1,105	582
Total Decrease in Assets	34,716	26,276	22,213	20,165	16,635
Increase (Decrease) in Net Assets	(94,426)	253,555	169,044	47,413	170,175
Net Assets Available for Benefits at Beginning of Year	1,339,234	1,085,679	916,635*	869,222	699,047
Net Assets Available for Benefits at End of Year	\$1,244,808	\$1,339,234	\$1,085,679	\$916,635	\$869,222
		As a Percentage of Net Assets			
Benefit Administration Costs	.10%**	.06%	.10%	.12%	.07%
Investment Management Costs	.18%	.13%	.15%	.18%	.14%

* THE 1999 ANNUAL REPORT SUMMARY REPORTED \$19.6 MILLION. THE CORRECT FIGURE IS \$16.6 MILLION.

** THE 2001 ANNUAL REPORT SUMMARY REPORTED 0.08%. THE CORRECT FIGURE IS .10%.

ROLES AND RESPONSIBILITIES

The College Pension Plan became a jointly trustee pension plan on April 1, 2000, under Schedule A of the *Public Sector Pension Plans Act*. The College Pension Plan was established with the agreement of the partners. The act describes the composition, appointment, powers, functions and duties of the trustees to manage the pension plan and fund.

The partners are responsible for appointing the trustees, directing amendments to the plan if certain conditions are met, and resolving trustee disputes. The College Pension Board of Trustees is fully responsible for the management of the pension fund, including the investment of the assets, and the administration of the pension plan.

The board of trustees may amend the pension plan rules as long as changes can be funded by pension fund surpluses. Plan rule changes that result in contribution rate changes must be approved by the partners. If the actuary determines that it is necessary to increase contribution rates, the trustees must increase employer and member contribution rates equally.

The British Columbia Pension Corporation is the sole provider of administrative services to the pension plan, and is answerable to the board of trustees for benefit administration service levels.

The British Columbia Investment Management Corporation is directly answerable to the board of trustees for providing investment management services within asset mix policies approved by the trustees.

THE PLAN AND BENEFITS

The College Pension Plan is a defined benefit pension plan. This means that the member's basic pension is guaranteed regardless of the financial health of the plan. Benefits are based on the member's highest five years of salary, length of service and age at retirement.

The plan provides immediate entitlement to a pension. The plan also provides survivor and disability benefits.

INVESTMENTS

Message from the Chief Investment Officer

Market Review

The 1990s was an incredible decade for capital markets and for stock markets in particular. The boom was attributable to many factors including a prolonged economic expansion, productivity increases from technological innovations, globalization and expanded world trade, positive demographic trends, improved fiscal performance by many industrialized countries and declining inflation, unemployment, and interest rates.

The positive economic and investment environment bolstered investor confidence and resulted in a shift in investments from fixed income securities to equities. Some companies' stocks were pushed to very high valuations, based on the expectation that their earnings would experience strong growth. This was particularly evident in technology companies and led to warnings from the US Federal Reserve Chair in late 1996 about investors' "irrational exuberance."

The Canadian market reached a cyclical peak in August 2000. As August 31 is the College Pension Fund's fiscal year end, it is not surprising that the fund had exceptionally strong performance in fiscal 1999/00. In fact, the College Basic Account posted a 21.4 per cent return last year. Unfortunately, the technology bubble burst in fiscal 2000/01 and equity markets experienced a significant correction. For example, the TSE 300 index lost about one-third of its value during the past year.

The impact of weak equity markets on the College Pension Fund was mitigated by holding a diversified portfolio and by other defensive measures taken by the British Columbia Investment Management Corporation (bcIMC). Specifically, bcIMC created several new pooled portfolios and modified some external manager mandates to reduce the fund's exposure to technology and telecommunication companies. Therefore, while the basic account had a disappointing return in 2000/01 (-8.4 per cent), it beat its market benchmark (-11.2 per cent) by a significant margin.

While fiscal 2000/01 returns were disappointing, the diversified approach to fund management has provided strong long-term results. For example, the 10-year annualized return of the Basic Account is still 10.3 per cent. In addition, the correction has actually improved long-term prospects by eliminating some excesses in equity markets. While markets experienced a further decline after the terrorist attacks on September 11, these losses appear to have been short-lived as markets have bounced back relatively quickly.

While I am hopeful that the worst may be behind us, I also believe that returns over the next decade will be much more subdued than was experienced in the 1990s. We also expect that markets will continue to exhibit a high degree of volatility. Maintaining a diversified portfolio and disciplined approach is critical to protecting the pension fund assets in these uncertain times.

INVESTMENTS

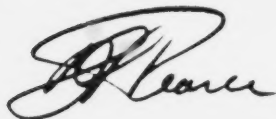
Organizational Review

The bcIMC is an independent organization and is governed by a consortium of clients. Its board consists of seven directors, including a representative from the College Pension Board of Trustees. However, in terms of investment activity, we are an agent of the College Pension Plan and are directly accountable to the College Pension Board of Trustees for their fund's performance. In fact, we view that it is our role to serve as the College Pension Plan's internal investment staff.

The revised governance structure is functioning well and has led to a significant strengthening of the organization. Clearly, having a more dynamic and flexible organization is critical in meeting the challenges of managing global portfolios in today's volatile markets.

Looking forward, we have several strategic objectives for the fiscal year and the future. The first of these is to continue improving risk management operations. The second is to meet the challenges of one-day security settlement and straight-through processing. Finally, we will continue to emphasize our goal of being a responsible investor and take a more active role in corporate governance. Unfortunately, not enough institutional investors dedicate adequate resources to fulfill this important fiduciary duty.

More information about the agency, our investment team and our management approach can be found at our web site: www.bcimc.com.



Doug Pearce
Chief Investment Officer/Chief Executive Officer
BC Investment Management Corporation

INVESTMENTS

Approved Basic Investment Asset Mix

Asset Class	Market Value	
	Lower Limit	Upper Limit
Debt	25%	45%
Short-term	0%	10%
Mortgages	0%	10%
Bonds	20%	40%
Equity	55%	75%
Canadian Equities	15%	30%
U.S. Equities	5%	20%
International Equities	10%	25%
Real Estate	5%	15%
Private Placements	0%	6%

Approved Investment Asset Mix

Strategic and short-term asset allocation targets are set within the ranges in the table. Short-term for asset mix purposes includes government bonds with one- to five-year terms and money market funds.

Investment Portfolio

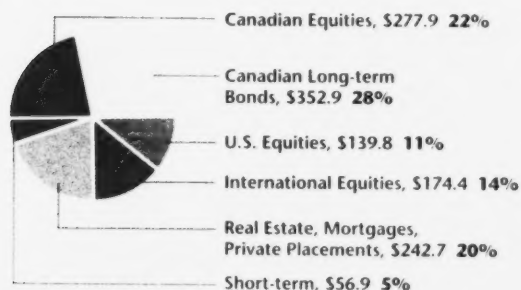
Investments Held as at August 31, 2001

Province of BC Pooled Investment Portfolio Units	Market Value	Asset Mix
		% Market Value
Money Market	\$33,551,714	3%
Canadian Bonds		
Government	288,391,272	23%
Corporate	43,873,387	4%
Short-term (to 5 years)	23,329,444	2%
Canadian Equities		
Indexed	199,138,649	16%
Actively Managed	78,716,461	6%
US Equities		
Indexed	58,670,748	5%
Actively Managed	81,085,698	6%
International Equities		
Asia	28,522,998	2%
Europe	55,106,195	4%
Europe, Australia and the Far East	90,808,645	7%
Real Estate	152,498,056	12%
Mortgages	45,027,042	4%
Private Placements	45,176,914	4%
Total Pooled Portfolios	\$1,223,897,223	98%
Canadian Real Return Bonds	20,686,267	2%
Total Investments	\$1,244,583,491	100%
2000 Comparison	\$1,339,788,807	

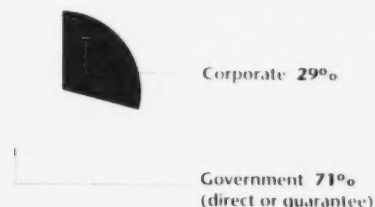
INVESTMENTS

2001 Investment Holdings (Market Value)

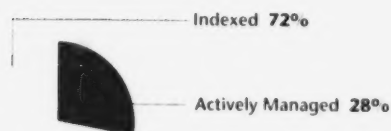
\$ Millions



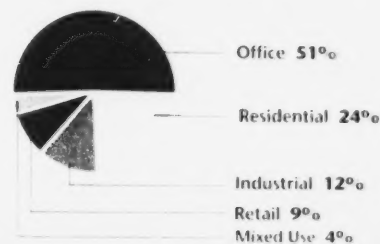
Canadian Bonds (Market Value)



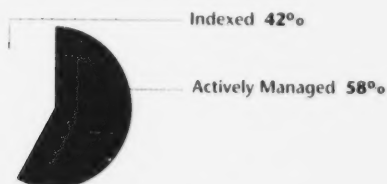
Canadian Equities (Market Value)



Real Estate, By Type



US Equities (Market Value)

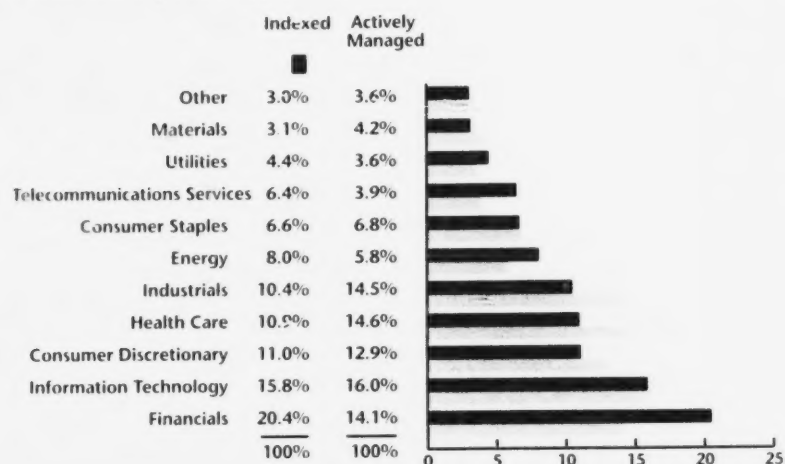


Real Estate, By Location

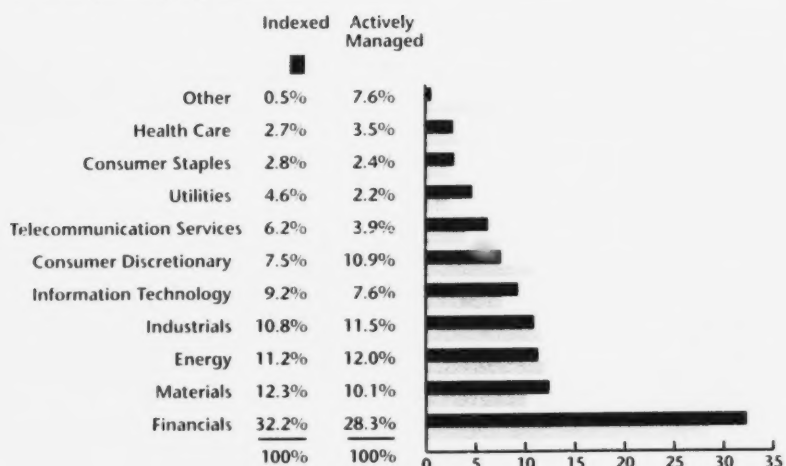


INVESTMENTS

Canadian Equities, by Sector

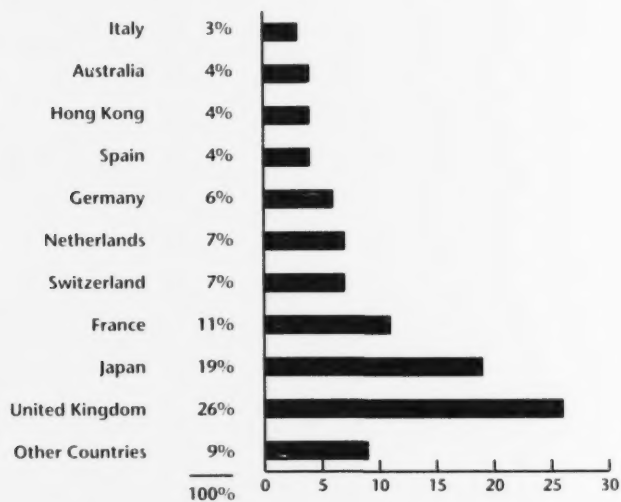


U.S. Equities, by Sector



INVESTMENTS

International Equities



Investment Performance

Net Earned Rate of the Fund

Year	%
1997	12.3
1998	9.8
1999	12.3
2000	14.8
2001	9.9

RATES OF RETURN ARE BASED ON A FIVE YEAR AVERAGE.

INVESTMENTS

Market Value Rates of Return for the Year Ended August 31, 2001

	Basic Account	Inflation Adjustment Account	2001 Performance Benchmarks
Five-year Average Rates			
2001	9.9%	9.9%	9.5%
2000 Comparison	14.8%	14.9%	14.9%
Annual Rates			
2001	-8.4%	-9.3%	-11.2%
2000 Comparison	21.4%	21.9%	22.5%
2001 Annual Rates by Investment Category			2001 Performance Benchmark Indices
Short-term			
Money Market	5.7%	5.7%	5.3% SCI 91-Day Treasury Bills
Bonds	9.1%	9.1%	8.8% SCI Short-term Government Bonds
Bonds			
Government	8.5%	8.5%	8.2% SCI Government Universe
Corporate	9.3%	9.3%	9.2% SCI Corporate Universe
Real Return	-	7.0%	6.9% SCI Real Bond
Canadian Equities			
Actively Managed	-11.8%	-11.8%	-30.1% TSE 300
Indexed			
TSE 300	-32.8%	-32.8%	-33.3% TSE 300
TSE 100	-35.2%	-35.2%	-35.6% TSE 100
U.S. Equities			
Actively Managed	-21.2%	-21.2%	-21.6% R 1000
Indexed	-20.3%	-20.3%	-20.5% S&P 500
International Equities			
Asia	-32.0%	-32.0%	-27.0% MSCI Pacific Basin Net
Europe	-20.2%	-20.2%	-17.4% MSCI Europe Net
Europe, Australia and the Far East	-19.7%	-19.7%	-20.5% MSCI Europe, Australia, Far East Net
Real Estate	9.6%	9.6%	- R Canadian Property Index
Mortgages			
Fixed-term	9.7%	9.7%	10.1% SCI Short-term Bonds + 1%
Construction	8.4%	8.4%	8.0% SCI Treasury Bills + 1%

Performance Benchmark Indices Abbreviations

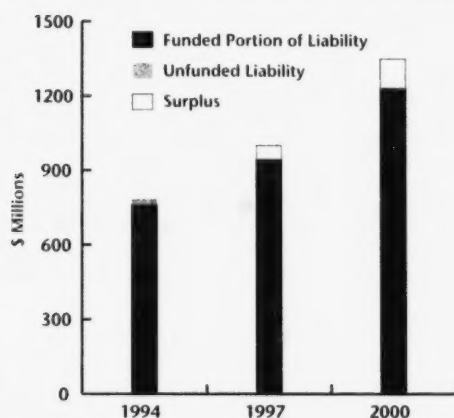
SCI	= Scotia Capital Inc.
MSCI	= Morgan Stanley Capital International
S&P	= Standard & Poor's
R	= Russell
TSE	= Toronto Stock Exchange

(SOURCE OF ANNUAL RATES: BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION)

ACTUARIAL VALUATION/PLAN FUNDING

At least every three years, an independent actuary assesses the plan's financial health and the adequacy of the contribution rates for funding the plan. At the most recent actuarial valuation on August 31, 2000, the College Pension Fund had a surplus for basic pension benefits of \$120 million. The next valuation will be as at August 31, 2003.

Funding of the Total Basic Benefit Liability



Latest Actuarial Valuation – August 31, 2000 Basic Pension Benefits

	\$ Millions		
	Basic Pension Benefits Net Surplus (Unfunded)		
	2000	1997	1994
For Funding Purposes*	\$120	\$57	(\$28)
Ratio of Surplus (Unfunded) Liability to Covered Payroll*	32%	19%	(11%)
For Accounting Purposes (Benefits Accrued to Valuation Date)	\$262	\$129	\$32

* ASSUMING CONTRIBUTIONS CONTINUE AT EXISTING RATES

EMPLOYERS AND PLAN MEMBERSHIP

Members of the College Pension Plan are senior administrative employees and faculty members of British Columbia colleges. For employees hired on or after September 1, 1999, all full-time and some part-time senior administrative and faculty staff are required to participate; certain part-time staff may do so voluntarily.

Membership in the College Pension Plan grew 9 per cent in 2001. Today, there are over 10,300 plan members and over 1,900 pensioners.

College Pension Plan's 25 Employers

Employer Name	Effective Date
British Columbia Institute of Technology (Burnaby)	January 12, 1978
Camosun College (Victoria)	June 1, 1971
Capilano College (North Vancouver)	September 1, 1968
College of New Caledonia (Prince George)	September 1, 1968
College of the Rockies (Cranbrook)	May 8, 1975
Contract Training and Marketing Society (Victoria)	July 1, 2001
Douglas College (New Westminster)	April 1, 1970
Emily Carr Institute of Art and Design (Vancouver)	January 19, 1978
Institute of Indigenous Government (Vancouver)	May 26, 1995
Justice Institute of B.C. (Vancouver)	April 27, 1978
Kwantlen University College (Surrey)	July 1, 1981
Langara College (Vancouver)	April 1, 1994
Lester B. Pearson College of the Pacific (Victoria)	January 31, 1974
Malaspina University-College (Nanaimo)	January 1, 1969
Nicola Valley Institute of Technology (Merritt)	September 1, 1995
North Island College (Comox)	August 1, 1975
Northern Lights College (Dawson Creek)	September 1, 1975
Northwest Community College (Terrace)	September 1, 1975
Okanagan University College (Kelowna)	September 1, 1968
Open Learning Agency (Vancouver)	June 1, 1976
Royal Roads University (Victoria)	January 1, 1998
Selkirk College (Castlegar)	September 1, 1968
The University College of the Cariboo (Kamloops)	January 1, 1970
University College of the Fraser Valley (Abbotsford)	November 1, 1974
Vancouver Community College (Vancouver)	September 1, 1968

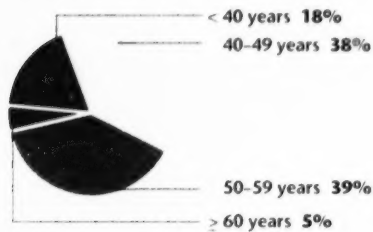
MEMBER SERVICES

Members and Contributions

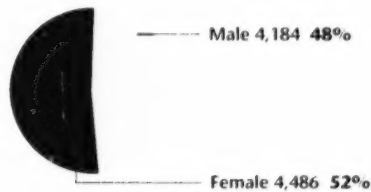
There are two categories of members.

- Active—those who are currently contributing, or are on a leave of absence, or are receiving benefits from an approved salary continuance plan.
- Vested and deferred—those who have terminated their employment and are eligible for a pension in the future. From 1997 onward, the number of vested and deferred members has been adjusted to include inactive members who are active in another public sector pension plan, and are likely to have a vested entitlement on a combined plan basis.

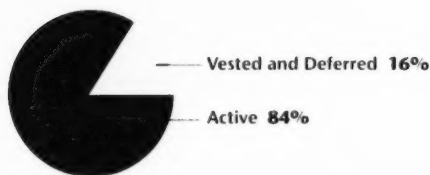
2001 Age Profile of Members



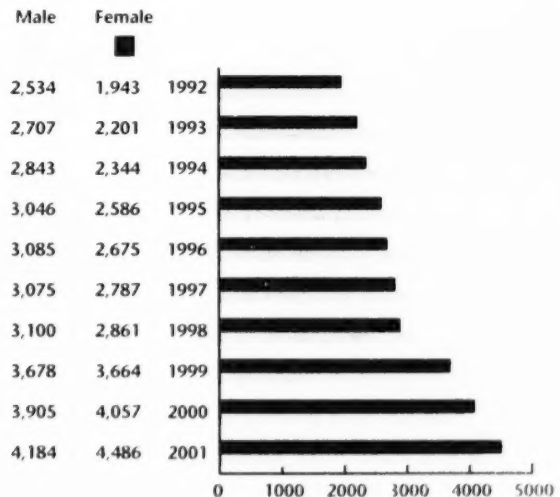
2001 Active Member Profile



2001 Member Profile



Active Members



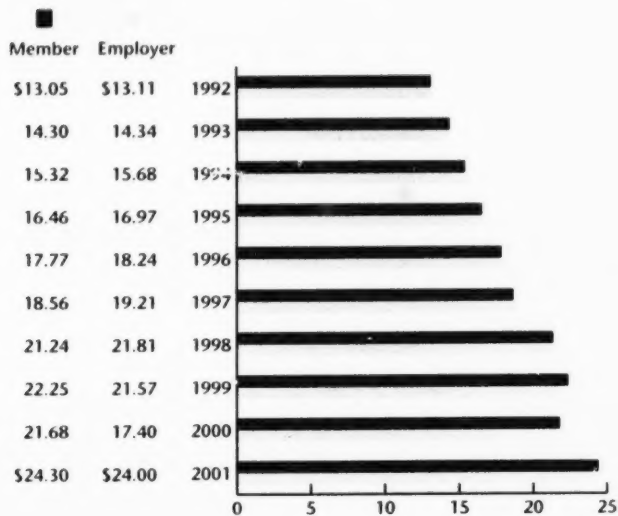
MEMBER SERVICES

Number of Members

	Active	Vested and Deferred	Total
1997	6,217	1,752	7,969
1998	6,307	2,004	8,311
1999	7,342	1,480	8,822
2000	7,962	1,561	9,523
2001	8,670	1,677	10,347

Contributions

\$ Millions



MEMBER SERVICES

Termination Benefits

A terminating member is eligible for one or more of the following benefits:

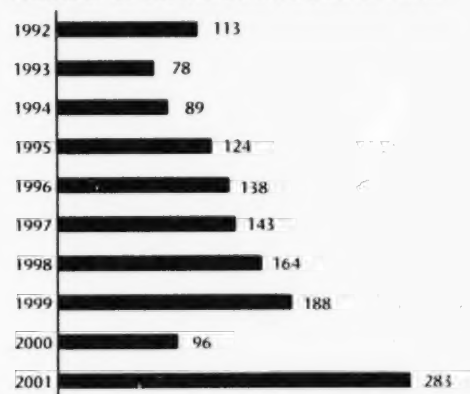
- a refund of contributions with interest
- a transfer of the commuted value of the pension benefit to a locked-in registered retirement savings plan or a registered pension plan, or
- a deferred pension.

The number of termination benefits paid can vary significantly from year to year, depending on the employment environment. There have been significant fluctuations over the last 10 years. The number of termination benefits paid in 2001 increased.

The value of a termination benefit increased significantly from 1994 onward with the introduction of the commuted value payment, which allowed members to transfer the value to a locked-in registered retirement savings plan or equivalent vehicle. Typically, commuted values (which represent the net present value of a future pension entitlement) are significantly higher in dollar value than member's personal accumulated contributions.

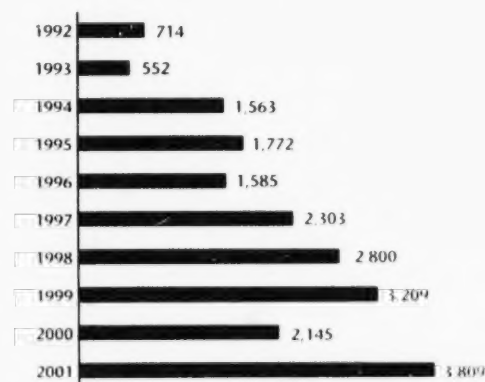
If a member leaves the plan and takes a refund of contributions, the refund includes interest. Interest compounds annually and is credited to the member's contribution balance. The balance, including interest, is included in the plan member's annual benefit statement.

Number of Termination Benefits Paid



Value of Termination Benefits Paid

\$ Thousands



TERMINATION BENEFITS PAID INCLUDE ONLY REFUNDS OF CONTRIBUTIONS AND COMMUTED VALUE PAYMENTS. DEFERRED PENSIONS ARE INCLUDED IN PENSION STATEMENT.

Annual Rates for Interest Credited to Contribution Balances

1997	4.77%
1998	4.30%
1999	4.27%
2000	5.32%
2001	4.50%

MEMBER SERVICES

The rate of interest is governed by pension standards and pension plan legislation and is based on average bank five-year personal term deposit rates, subject to a 4 per cent minimum.

Pensions

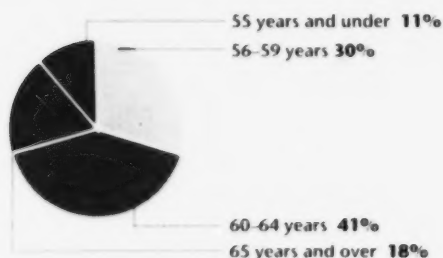
The number of retired members continues to grow, primarily as a result of the aging population of plan members. The number of pensions granted in 2001 was approximately 43 per cent less than in 2000. This decrease was primarily a result of the government and colleges' early retirement program that occurred in 2000. The number of pensioners on payroll increased 7.6 per cent.

Pensions are paid at the end of each month, starting with whichever of the following comes latest:

- the month following the month in which the plan member becomes eligible
- the month following the month in which the plan member receives the final salary, or
- the month in which the Pension Corporation receives the member's application.

The plan pays a full month's pension for the month in which a pensioner dies.

Percentage of 2001 Normal Pensions Granted by Age



Pensions 1992-2001

	Granted During Year	Pension Terminations	In Force at End of Year	Basic Pensions Paid (\$ Millions)	Inflation Supplements Paid (\$ Millions)	Total (\$ Millions)
1992	88	11	770	5.4	1.2	6.6
1993	60	9	821	6.2	1.3	7.5
1994	74	15	880	7.0	1.4	8.4
1995	97	1	976	8.1	1.4	9.5
1996	131	14	1,093	9.4	1.5	10.9
1997	163	10	1,246	11.1	1.7	12.8
1998	165	23	1,388	13.1	1.8	14.9
1999	169	6	1,551	15.4	1.9	17.3
2000	253	16	1,788	19.1	2.2	21.3
2001	144	8	1924	\$23.2	\$2.7	\$25.9

MEMBER SERVICES

The value of a basic pension depends on a number of factors, including the member's age, salary and years of service at retirement.

The table below shows the average asset value ("present value") of pensions granted during the year. The value represents approximately how much money it would cost to purchase an average pension provided under the College Pension Plan.

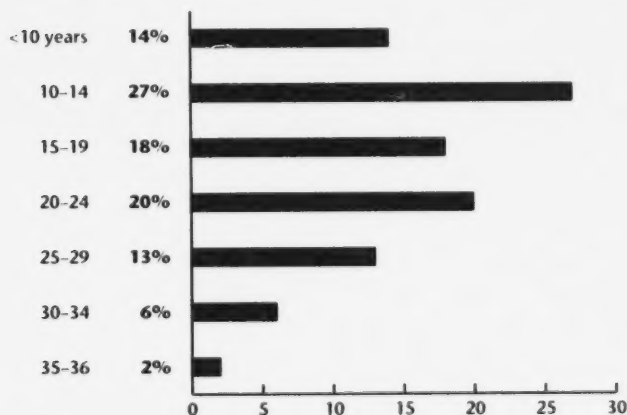
Present Value of Normal Pensions Granted September 1, 2000 to August 31, 2001

Subdivided by Years of Service

Years of Service*	Number of Pensions Granted	Average Annual Salary Base	Average Annual Pension (Single Life Option)	Average Present Value of Pensions	Total Present Value of Pensions (\$ Millions)
<10 yrs	16	\$47,000	\$ 5,000	\$ 62,000	\$1.0
10-14	29	63,000	13,000	187,000	5.4
15-19	21	59,000	17,000	249,000	5.2
20-24	22	62,000	23,000	325,000	7.2
25-29	14	66,000	28,000	413,000	5.8
30-34	7	70,000	37,000	521,000	3.6
35-39	2	88,000	51,000	732,000	1.5
Total	111	n/a	n/a	n/a	\$29.7
All Pension Average	n/a	\$65,000	\$25,000	\$356,000	n/a

* YEARS OF SERVICE INCLUDES SERVICE TRANSFERRED FROM OTHER PLANS

Percentage of 2001 Normal Pensions Granted by Years of Service



MEMBER SERVICES

Pensions Granted, by Type 1992-2000

	Normal*	Death*	Disability+	Deferred	Total
1992	57	11	9	11	88
1993	41	3	2	14	60
1994	53	-	2	19	74
1995	73	5	2	17	97
1996	92	7	4	28	131
1997	131	1	10	21	163
1998	122	4	7	32	165
1999	136	3	3	27	169
2000	202	6	15	30	253
2001	111	5	3	25	144

* PENSIONS GRANTED DO NOT INCLUDE ANY PENSION CONTINUED TO A BENEFICIARY UPON THE DEATH OF A PENSIONER.

+ INCLUDES MEMBERS ON LONG-TERM DISABILITY WHO BECAME ELIGIBLE FOR A REGULAR PENSION.

2001 Normal Pensions Granted by Age at Retirement

Subdivided by years of service and age at retirement

	55	56-59	60-64	65	Total
< 10 yrs	-	4	5	7	16
10-14	2	10	13	4	29
15-19	3	6	12	-	21
20-24	4	3	10	5	22
25-29	3	7	3	1	14
30-34	-	2	2	3	7
> 35	-	1	1	-	2
Total	12	33	46	20	111

Other

Portability Provisions

Portability allows pension plan members to carry some pension rights from one plan to another. For instance, members of the College Pension Plan may carry their years of pensionable service and contributions to a new plan at a different place of employment if the new plan has a portability agreement with the College Pension Plan. Employers who allow pension plan members to transfer their pension rights to other pension plans are called "reciprocal employers."

Members of the College Pension Plan who have made contributions to another pension plan should inquire about portability agreements.

In 2001, there were 113 reciprocal transfers in from other agencies totaling approximately \$7,880,000 and 24 transfers out totaling approximately \$1,861,000. As a result of changes in interplan portability provisions, transfers now include those between the College Pension Plan and three other British Columbia public sector plans (Public Service, Municipal and Teachers').

MEMBER SERVICES

Purchase of Additional Service

It may be possible for plan members to purchase additional service. This service may include:

- approved leaves of absence
- arrears contributions
- non-contributory service; and
- reinstatement of refunded contributions.

The number of purchases of additional service increased in 2001.

Member and Employer Purchases of Additional Service

	Number of Purchases		Value of Purchases (\$ Thousands)	
	2001	2000	2001	2000
Approved Leaves of Absence	132	29	\$ 479	\$175
Arrears Contributions	20	5	212	8
Non-contributory Service	80	32	1,064	514
Reinstatement of Refunded Contributions	5	6	62	119
Total	237	72	\$1,817	\$816

Communications

Communication with plan members is a priority of the College Pension Board of Trustees. Information about the plan is available on-line at pensions.bc.ca.

FINANCIAL STATEMENTS



KPMG LLP
Chartered Accountants

1000-1000-1000
1000-1000-1000
1000-1000-1000

Telephone: (250) 460-2600
Telex: 460-2600
WWW.KPMG.CA

AUDITORS' REPORT

To the Members of the College Pension Plan

We have audited the statement of net assets available for benefits of the College Pension Plan as at August 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the Plan's net assets available for benefits as at August 31, 2001 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures as at and for the year ended August 31, 2000 were reported on by the Auditor General of British Columbia.

KPMG LLP

Chartered Accountants

Victoria, Canada

December 7, 2001



KPMG LLP is a member firm of the KPMG network, which is a global organization of member firms, each of which is a separate legal entity. The KPMG network is not a legal entity.

FINANCIAL STATEMENTS

PENSION CORPORATION

Executive Offices

Mailing Address

PO Box 9460
Stn Prov Govt
Victoria BC
V8W 9V8

Location

2995 Jutland Road
Victoria BC
V8T 5P9

Phone

250-387-8201
1-800-663-8823

Fax

250-387-4199

COLLEGE PENSION PLAN

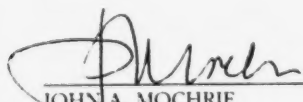
ADMINISTRATIVE AGENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the College Pension Plan were prepared by the British Columbia Pension Corporation, the administrative agent for the pension plan. The Corporation is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report for the pension plan conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the Corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Partners Ltd. has been appointed the independent consulting actuary to the pension plan. The role of the actuary is to complete an actuarial valuation of the Plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The firm of KPMG LLP has performed an independent audit of the financial statements of the pension plan in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the Auditor's report attached to these financial statements.



JOHN A. MOCHRIE
Chief Executive Officer
British Columbia Pension Corporation



P. LOUISE YOUNG, C.A.,
Vice-President, Information Management,
Finance and Administration
British Columbia Pension Corporation

December 7, 2001

FINANCIAL STATEMENTS

COLLEGE PENSION PLAN STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (\$ Thousands)

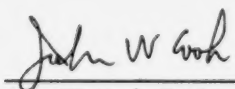
August 31	2001	2000
ASSETS		
Investments (Note 3)	\$ 1,244,584	\$ 1,339,789
Receivables		
Members' contributions	1,226	1,130
Employers' contributions	1,248	1,234
Accrued investment income	209	168
Due from sale of investments	617	16,000
	<u>3,300</u>	<u>18,532</u>
Prepaid expenses	181	290
Cash	99	455
Total Assets	1,248,164	1,359,066
LIABILITIES		
Payable for purchase of investments	2,188	19,100
Accounts payable and accrued expenses	1,168	732
Total Liabilities	<u>3,356</u>	<u>19,832</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 1,244,808</u>	<u>\$ 1,339,234</u>

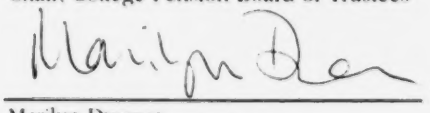
Obligation for Pension Benefits for Funding Purposes (Note 7)

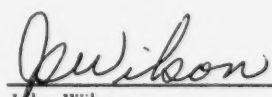
Obligations for Pension Benefits for Accounting Purposes (Note 8)

Commitments (Note 11)

All accompanying notes are an integral part of these financial statements.


John W. Cook, F.C.I.A.,
Chair, College Pension Board of Trustees


Marilyn Duggan
Trustee,
College Pension Board of Trustees


John Wilson
Trustee,
College Pension Board of Trustees

FINANCIAL STATEMENTS

COLLEGE PENSION PLAN STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS (\$ Thousands)

For the year ended August 31	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Totals 2001	2000
INCREASE (DECREASE) IN ASSETS					
Net investment income (loss) (Note 4)	\$ (101,500)	\$ (14,375)	\$ -	\$ (115,875)	\$ 233,721
Contributions (Note 5)					
Members'	20,221	4,033	-	24,254	21,677
Employers'	19,647	2,438	1,946	24,031	17,496
	39,868	6,471	1,946	48,285	39,073
Transfers from other plans	6,060	1,820	-	7,880	7,047
Total Increase (Decrease) in Assets	(55,572)	(6,084)	1,946	(59,710)	279,841
DECREASE IN ASSETS					
Pension benefits					
Contributory	23,226	-	8	23,234	19,123
Indexing supplements	2,674	-	-	2,674	2,184
	25,900	-	8	25,908	21,307
Termination benefits	2,689	1,120	-	3,809	2,145
Transfers to other plans	1,397	464	-	1,861	375
Retired member group benefits (Note 10)	-	-	1,932	1,932	1,605
Benefit administration costs (Note 9)	1,200	-	6	1,206	844
Total Decrease in Assets	31,186	1,584	1,946	34,716	26,276
INCREASE (DECREASE) IN NET ASSETS					
BEFORE TRANSFERS	(86,758)	(7,668)	-	(94,426)	253,555
Account transfers (Note 6)	(17)	17	-	-	-
INCREASE (DECREASE) IN NET ASSETS	(86,775)	(7,651)	-	(94,426)	253,555
NET ASSETS AVAILABLE FOR BENEFITS					
AT BEGINNING OF YEAR	1,166,287	172,947	-	1,339,234	1,085,679
NET ASSETS AVAILABLE FOR BENEFITS					
AT END OF YEAR	\$ 1,079,512	\$ 165,296	\$ -	\$ 1,244,808	\$ 1,339,234

Supplemental Benefits Account (Note 10)

FINANCIAL STATEMENTS

COLLEGE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2001

1. DESCRIPTION OF THE COLLEGE PENSION PLAN

The College Pension Plan is a jointly trustee pension plan governed by Schedule A of the *Public Sector Pension Plans Act* and the College Pension Plan Regulation. Joint trusteeship was established effective April 1, 2000 with the agreement of the partners: the Provincial Government, the Post Secondary Employers' Association, the College Institute Educators' Association and the B.C. Government and Service Employees' Union. Schedule A of the Act describes the composition, appointment, powers, functions and duties of the College Pension Board of Trustees. The Board is fully responsible for the management of the pension plan, including investment of the assets and administration of the Plan. The following brief description of the Plan is provided for general information only. For more information refer to the Act and the Regulation.

a) General

The Plan is a contributory defined benefit pension plan for senior administrative employees and faculty members of British Columbia colleges. For employees hired on or after September 1, 1999, all full time and some part time senior administrative and faculty staff are required to participate; certain part time staff may do so voluntarily.

b) Roles and Responsibilities

The partners are responsible for appointing the trustees other than the chair, directing amendment to the Plan if certain conditions are met and resolving trustee disputes. The Board consists of up to eleven members. Ten members are appointed by the partners. The eleventh member, the chair, is appointed by the other trustees. The Board may amend the pension plan rules as long as changes can be funded by pension fund surplus. Unless required to ensure compliance with regulatory enactments applicable to the pension plan, plan changes that result in contribution rate changes can only be initiated by the partners.

The British Columbia Pension Corporation (Pension Corporation) is the provider of benefit administrative services to the pension plan. The Pension Corporation is answerable to the Board of Trustees for benefit administration service levels.

The British Columbia Investment Management Corporation (bcIMC) is directly answerable to the Board of Trustees for providing investment management services within investment policies approved by the trustees.

FINANCIAL STATEMENTS

COLLEGE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2001

1. DESCRIPTION OF THE COLLEGE PENSION PLAN (continued)

c) Contributions

Basic Account

Members contribute to Basic Account 4.5% of salaries up to and including the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) (\$38,300 in 2001) and 6.0% of salaries above that.

Employers contribute at rates matching the employees, less amounts allocated to the Supplemental Benefits Account (2001 - \$0.4 million; 2000 - \$0.3 million) (see Note 10).

Inflation Adjustment Account and Supplemental Benefits Account

Members contribute 1% of salaries to the Inflation Adjustment Account (IAA). Employers contribute 1% of salaries to the IAA, less amounts allocated to the Supplemental Benefits Account (2001 - \$1.6 million; 2000 - \$1.3 million) (see Note 10).

d) Pension Benefits

All members are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65;
- at age 60, with at least 2 years contributory service; or
- at age 55 or older, with at least 35 years of contributory service.

Other retiring members have a reduction formula applied to their pensions.

The basic plan benefit is integrated with the Canada Pension Plan (CPP). For members terminated on or after January 1, 1999, the Plan provides a lifetime benefit of 1.35% of pensionable earnings, up to the CPP Year's Maximum Pensionable Earnings (YMPE), and 2% of pensionable earnings over the YMPE (to a maximum of 35 years). Pensionable earnings is based on the member's highest five-year average salary (HAS). The Plan also provides a bridging benefit with CPP which is payable to age 65 (or the date of death if earlier). For members terminated on or after January 1, 1999, the bridging benefit is 0.65% of YMPE.

Effective January 1, 2002, the basic lifetime and bridging benefits change to 1.7% up to the YMPE and 0.3% of YMPE, respectively.

FINANCIAL STATEMENTS

COLLEGE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2001

1. DESCRIPTION OF THE COLLEGE PENSION PLAN (continued)

d) Pension Benefits (continued)

Increases to pension payments may be provided each January 1 in accordance with the indexing provisions of the Plan. These increases are based on the annual increase in the Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account (Note 6 and Note 7b).

At January 1, 2001 retired members received a full CPI increase of 2.7% (2000 – 2.6%).

e) Termination and Portability Benefits

Prior to attaining 55 years of age, a terminating member is eligible to receive:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in Registered Retirement Savings Plan, registered pension plan or similar tax-sheltered plan.

A member who terminates under age 60 with less than two years of service may also choose a refund of his or her own contributions with interest.

Where there are portability arrangements between the Plan and other plans, members may be able to carry certain pension rights to those other plans, or transfer contributions and service from those other plans to increase pension benefits under the Plan.

f) Other Benefits

Disability and survivor benefits are also available under the Plan. Supplemental benefits (Note 10) may also be funded from the Supplemental Benefits Account of the pension fund. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

g) Income Taxes

The Plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act (Canada)*, except for any supplemental benefits (Note 10) which are funded in addition to the RPP. The RPP is not subject to income taxes.

FINANCIAL STATEMENTS

COLLEGE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2001

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements present the pension plan as a separate financial reporting entity, independent of the plan's contributing employers and members, and independent of any associated retired member group benefit plans. The Statement of Net Assets Available for Benefits shows the assets under control of the trustees of the Plan, and does not purport to show their adequacy to meet the obligations of the Plan.

b) Investments

Investments are stated at market value. Market value is derived from external quotations or appraisals. Investment purchases and sales are recorded on trade date.

c) Investment Income

Investment income is recorded on the accrual basis.

d) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets during the period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of investments and the actuarial estimate of the actuarial surplus for the Basic Account.

FINANCIAL STATEMENTS

COLLEGE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2001

3. INVESTMENTS (Market Value)

	2001			2000
	Basic Account	Inflation Adjustment Account	Total	Total
	(\$ Thousands)			
Short-term	\$ 30,214	\$ 3,338	\$ 33,552	\$ 50,360
Canadian Bonds	323,697	52,584	376,281	395,972
Canadian Equities	240,843	37,012	277,855	370,814
U.S. Equities	121,229	18,527	139,756	151,663
International Equities	151,262	23,176	174,438	162,652
Mortgages	39,010	6,017	45,027	42,360
Real Estate	133,635	18,863	152,498	131,076
Private Placements	44,985	192	45,177	34,892
	<u>\$1,084,875</u>	<u>\$159,709</u>	<u>\$1,244,584</u>	<u>\$1,339,789</u>

Plan investments consist primarily of direct ownership in units of pooled investment portfolios, managed by the bcIMC. Each unit gives its holder a proportionate share in the net assets of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

Short-term investments consist of Canadian and U.S. money market securities, such as treasury bills, with terms of 15 months or less. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and in the case of international equities refer to investments in Europe, Australia and the Far East.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of Canadian diversified income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside the structure of public markets (Note 11).

The mortgages are secured by real estate and are valued using current market yields. The real estate is valued at least semi-annually by the real estate investment managers and, on average, annually by external appraisal to establish current market values. Private placements are valued annually for the closed-end funds.

FINANCIAL STATEMENTS

COLLEGE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2001

4. INVESTMENT INCOME

	2001			2000
	Income Allocation	Current Period Change in Market Value	Total	Total
	(\$ Thousands)			
Basic Account				
Short-term	\$ 2,125	\$ 336	\$ 2,461	\$ 1,714
Canadian Bonds	19,737	8,071	27,808	19,625
Canadian Equities	4,318	(88,650)	(84,332)	143,934
U.S. Equities	1,254	(28,933)	(27,679)	19,393
International Equities	2,667	(37,859)	(35,192)	7,866
Mortgages	2,758	668	3,426	2,872
Real Estate	6,436	4,454	10,890	8,989
Private Placements	184	2,934	3,118	5,271
	<u>\$39,479</u>	<u>\$ (138,979)</u>	<u>\$ (99,500)</u>	<u>\$209,664</u>
Investment Management Costs			(2,000)	(1,573)
Net Investment Income (Loss)			<u>\$ (101,500)</u>	<u>\$208,091</u>
Inflation Adjustment Account				
Short-term	\$ 331	\$ 18	\$ 349	\$ 351
Canadian Bonds	3,188	656	3,844	4,009
Canadian Equities	626	(12,133)	(11,507)	16,477
U.S. Equities	163	(4,037)	(3,874)	2,257
International Equities	396	(5,332)	(4,936)	1,033
Mortgages	360	82	442	434
Real Estate	889	677	1,566	1,233
	<u>\$ 5,953</u>	<u>\$ (20,069)</u>	<u>\$ (14,116)</u>	<u>\$ 25,794</u>
Investment Management Costs			(259)	(164)
Net Investment Income (Loss)			<u>\$ (14,375)</u>	<u>\$ 25,630</u>
Total Basic and Inflation Adjustment Accounts				
Total Investment Income (Loss)			<u>\$ (113,616)</u>	<u>\$235,458</u>
Total Investment Management Costs (Note 9)			(2,259)	(1,737)
Total Net Investment Income (Loss)			<u>\$ (115,875)</u>	<u>\$233,721</u>

The income allocation portion of investment income represents pooled investment portfolio income attributable to the Plan, as a unitholder, and as calculated by the bcIMC, as well as interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

FINANCIAL STATEMENTS

**COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2001**

5. CONTRIBUTIONS

	2001				2000
	Basic	Inflation	Supplemental	Total	Total
	Account	Adjustment	Benefits		
		Account	Account		
	(\$ Thousands)				
Members' contributions					
Regular	\$19,420	\$3,915	\$ -	\$23,335	\$21,222
Arrears	81	9	-	90	8
Purchase of service	445	79	-	524	239
Leave of absence	219	24	-	243	89
Reinstatement	56	6	-	62	119
	<u>20,221</u>	<u>4,033</u>	<u>-</u>	<u>24,254</u>	<u>21,677</u>
Employers' contributions					
Regular	18,865	2,322	-	21,187	15,418
Arrears	108	14	-	122	-
Purchase of service	461	79	-	540	275
Leave of absence	213	23	-	236	86
	<u>19,647</u>	<u>2,438</u>	<u>-</u>	<u>22,085</u>	<u>15,779</u>
Supplemental benefits	-	-	1,946	1,946	1,617
Total Employers	<u>19,647</u>	<u>2,438</u>	<u>1,946</u>	<u>24,031</u>	<u>17,396</u>
Total Contributions	<u>\$39,868</u>	<u>\$6,471</u>	<u>\$1,946</u>	<u>\$48,285</u>	<u>\$39,073</u>

Employer regular Inflation Adjustment Account contributions were \$3.9 million, of which \$1.6 million was allocated to the Supplemental Benefits Account; and employer regular Basic Account contributions were \$19.2 million, of which \$0.4 million was allocated to the Supplemental Benefits Account. Employer Basic Account contributions are net of \$0.2 million rebates arising from the 1997 College Account.

6. ACCOUNT TRANSFERS

	2001		2000	
	Basic Account	Inflation Adjustment Account	Basic Account	Inflation Adjustment Account
	(\$ Thousands)			
Present value of current indexing supplements	\$ 5,782	\$(5,782)	\$ 4,330	\$(4,330)
Indexing of deferred pensions	439	(439)	388	(388)
Excess interest	(6,238)	6,238	(15,033)	15,033
Distribution of Surplus Agreement	-	-	(12,234)	12,234
	\$ (17)	\$ 17	\$(22,549)	\$22,549

FINANCIAL STATEMENTS

COLLEGE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2001

6. ACCOUNT TRANSFERS (continued)

A separate account is maintained for funding current and future indexing supplements. This Inflation Adjustment Account (IAA) is funded through a portion of ongoing contributions from employers and members (Note 1c), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is also transferred from the IAA to the Basic Account.

Excess interest is based only on investment income earned on those Basic Account assets required for pensions currently being paid (approximately \$250 million of assets for 2001, \$203.8 million for 2000). The excess interest rate of return is determined by taking the difference between the actual market rate of return and the rate of return used by the actuary (7.4%) in valuing the Plan's liabilities. The actual rate of return is based on a five-year average. The calculated excess interest rate of return for 2001 was 2.5% (2000 - 7.4%). Should the excess interest rate calculation ever result in a negative return, the negative return will be carried forward and offset against future excess returns.

Prior year transfers include a one-time transfer of \$10 million from the Basic Account to the IAA that was made under the Plan partners' Distribution of Surplus Agreement. The total transfer, including interest effective back to November 1, 1998 at the 1999 net earned rate of the Plan, was \$12.2 million.

7. OBLIGATION FOR PENSION BENEFITS FOR FUNDING PURPOSES

a) Basic Account

An actuarial valuation of the Plan's account assets and pension obligations is performed at least every three years to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, the Plan actuary values both accrued assets and benefit obligations to the financial statement date, as well as contributions and benefits for future service. The actuary's calculated contribution rate is based on the entry age method.

FINANCIAL STATEMENTS

COLLEGE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2001

7. OBLIGATION FOR PENSION BENEFITS FOR FUNDING PURPOSES (continued)

a) Basic Account (continued)

The most recent full actuarial valuation for funding purposes was prepared as at August 31, 2000. The August 31, 2000 actuarial valuation disclosed a surplus, for funding purposes, for Basic Account pension benefits of \$120 million (1997 - \$57 million), assuming future contributions at the contribution rates in effect at the valuation date.

The main changes between the 1997 and 2000 valuations are as follows:

	(\$ Millions)
Actuarial surplus as at August 31, 1997	\$ 57
Net changes from 1999 Accord and contribution rate stabilization	(37)
Interest on surplus	5
Investment income in excess of actuarial rate of return	99
Transfer \$10 million to IAA, plus interest	(12)
Salary increases less than previously assumed	57
Contributions below normal cost rate for new entrants	(34)
Changes in benefits and actuarial assumptions	(13)
Other	(2)
Actuarial Surplus as at August 31, 2000	<u>\$ 120</u>

The following table shows a key indicator of the financial health of a pension plan, the Basic Account surplus or unfunded actuarial liability (UAL) as a percentage of payroll, for the three most recent actuarial valuations. (Values shown in the table assume future contributions at the rates in place at the time, rather than the actuary's calculated rates.) The results of the August 31, 2000 valuation have not been adjusted for subsequent plan rule changes see (Note 12).

Actuarial Valuation Date	Actuarial Value of Basic Account Assets (w)	Basic Account Actuarial Liability (x)	Basic Account Surplus (UAL) (y)	Covered Payroll (z)	Surplus as a Percentage of Payroll (UAL) (y/z)
	(\$ Millions)				
1994	730	(758)	(28)	260	(11)%
1997	1,000	(943)	57	304	19%
2000	1,350	(1,230)	120	377	32%

FINANCIAL STATEMENTS

COLLEGE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2001

7. OBLIGATION FOR PENSION BENEFITS FOR FUNDING PURPOSES (continued)

b) Inflation Adjustment Account

No unfunded liability exists for the IAA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account. As indexing is granted to retired members full funding for that granted indexing, on a net present value basis, is transferred from the Inflation Adjustment Account to the Basic Account, from which the pensions are paid. There is no minimum level of indexing required to be paid under the plan rules, nor is there any legislative or plan provision or intention to fund the Inflation Adjustment Account to any minimum level of future potential indexing.

The College Pension Board of Trustees monitors the performance of the Inflation Adjustment Account and, at least annually, reviews the projected impact on the account of possible differing future economic trends. Such factors include inflation rates, real wage growth rates, real investment rates of return and group health benefit costs. This sensitivity analysis should assist the Board to identify, some years in advance of its possible occurrence, the point at which the Inflation Adjustment Account assets may cease to grow and beyond that, the point at which full indexing benefits may not be able to be granted. As long as there are contributions to the Inflation Adjustment Account, there will be some measure of indexing protection for retired members.

8. OBLIGATIONS FOR PENSION BENEFITS FOR ACCOUNTING PURPOSES

An actuarial valuation is performed at least every three years and its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan as described in Note 7(a). As part of the actuarial valuation the actuary also calculates values, for accounting purposes, for Basic Account assets as at, and pension liabilities accrued to, the financial statement date. For this purpose, contributions and benefits for future service are not included as they are for the valuation for funding purposes in Note 7(a).

The Basic Account is the account from which the defined guaranteed basic benefits of the Plan are paid and from which any indexing that has been granted to retired members, is also paid. Indexing benefits are not guaranteed within the Plan provisions and are granted to retired members only to the extent that sufficient money is available from the Inflation Adjustment Account (IAA) to fund those benefits. As indexing is granted, the Basic Account receives from the IAA the necessary net present value funding for the granted indexing. Therefore accrued basic pension benefits, for valuation purposes, include the liability for all indexing granted to the date of the valuation, but not, as yet unknown, future indexing.

FINANCIAL STATEMENTS

COLLEGE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2001

8. OBLIGATIONS FOR PENSION BENEFITS FOR ACCOUNTING PURPOSES (continued)

The latest full valuation was made as at August 31, 2000 by Eckler Partners Ltd. Net actuarial assets in the Basic Account as at that date were \$985 million (1997 - \$669 million). Liabilities for accrued basic pension benefits were \$723 million (1997 - \$540 million). As a result, on an accrued benefits basis, there was a Basic Account surplus of \$262 million (1997 - \$129 million). The next full actuarial valuation will be at August 31, 2003.

The present value of liabilities for pension benefits accrued to the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. It is required that extrapolations between valuations be calculated and one has been done to August 31, 2001, using the 2000 long-term assumptions. Actuarial liabilities and net assets reflect the following long-term actuarial assumptions:

- annual investment return 7.4%
- annual salary escalation rate 4.9%

On that basis the extrapolated surplus to August 31, 2001 is \$269 million.

However, extrapolations are not reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions used in the extrapolation.

No unfunded liability exists for the Inflation Adjustment Account, since the obligation for future indexing benefits is limited to the amount of the available assets in the account.

9. RELATED PARTY TRANSACTIONS

a) Administration Costs

Administration costs include general benefit administration costs, actuarial fees and Board expenses. General administration costs incurred by the Pension Corporation are prorated and charged to each pension plan under its administration based primarily on the relative numbers of members in each plan.

b) Investment Management Costs

The bcIMC manages investments on behalf of the plan trustees and uses internal and external investment managers for this purpose. Total investment management fees for 2001 were \$2.3 million (2000 - \$1.7 million).

FINANCIAL STATEMENTS

COLLEGE PENSION PLAN NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2001

10. SUPPLEMENTAL BENEFITS

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed the *Income Tax Act (Canada)* limits for registered pension plans are paid through this account. Certain group benefit coverage may also be provided for retired members through the account. The availability, type and level of this retiree group benefit coverage is contingent upon the availability of funds within the Supplemental Benefits Account to fund such benefits.

11. COMMITMENTS

The Plan participates in the Private Placements Pools managed by bcIMC, which are closed-end funds consisting primarily of investments in limited partnerships.

As at August 31, 2001, the College Pension Plan's share of commitments (over the next several years) for future investment contracts in these pools is approximately \$31 million.

12. SUBSEQUENT EVENT

Based on the results of the August 31, 2000 actuarial valuation, the partners entered into an agreement directing the College Pension Board of Trustees to amend the pension plan rules. The Partners' Direction to Board of Trustees Agreement effective April 12, 2001 outlines benefit improvements for active and retired members, as follows:

- Benefit formula improvement for active members effective January 1, 2002
- Contribution rate increase for both plan members and employers effective January 1, 2002, offset by an equivalent reduction in contribution rates for a period of five years
- Allocation of \$5 million to improve benefits for retired plan members, \$2.6 million of which was distributed to retired members in November 2001 through a one-time lump sum payment and \$2.4 million of which will be transferred from the basic account to the IAA in January 2002
- Improvement of post-retirement group benefits, including provision of extended health and dental coverage for retired members residing outside of British Columbia but within Canada.